LEGAL BRIEF

ON THE PROPOSED FRAMEWORK FOR THE ESTABLISHMENT AND OPERTAION OF THE ENERGY EFFICENCY REVOLVING FUND (EERF)

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SECTION 1: INTRODUCTION

I. BACKGROUND

In accordance with USAID EERE Project the Energy Efficiency Revolving Fund in the form of Foundation, as an independent non-profit organization, needs to be established and operated. The Foundation will provide limited capital for cost-effective energy efficiency projects in facilities where commercial financing is not readily available. Based on that, a detailed legal analysis needs to be completed of the legal framework that is applicable to the operations of the Foundation. It is very important that the Foundation comply with the existing laws and regulations governing its establishment and operations. The legal analysis should include, but not limited, the following identified laws:

- The Law on Non-Bank Financial Institutions (The Law On Credit Institutions) – This is a recently-passed law that potentially may or may not affect the Foundations' operations,

- The Civil code of Armenia (1999) – The Civil Code specifies the types of organization for commercial and non-commercial enterprises and the rules that govern different types of organizations. It also specifies the basic contracts that may be involved in ordinary way of operating the Foundation

- The Law on Energy – This Law identifies the authority of different government bodies that are engaged in the energy sector, and establishes the Armenian Energy Regulatory Commission's authority over energy tariffs.

- Taxation and Accounting Laws – The tax and accounting laws should be researched to determine the expected tax liabilities and the legal requirements for accounting.

- The Government Decree on Reforms in the Urban Heating (pending, expecting adoption in 2002) – Elements of the Heating strategy will affect the viability and organization of specific projects in the residential sector.

- The Apartment Building Maintenance Law (2002) – This recently-enacted law establishes the authorities of multi apartment buildings, condominium associations and other cooperative building management. This law will affect the violability of multi-family residential building projects.

- Other Laws and regulations that may affect on the establishment and operation of the Fund.

II. SUMMARY ANSWERS

- The Law on Non-Bank Financial Institutions (hereinafter «The Law On Credit Institutions») – Generally, this law should not be applicable to the Foundation and its operations. The law regulates only the activities of commercially oriented legal entities. It means that a Fund in the form of Foundation, as non-for-profit legal entity may not be subject to the mentioned law regulation. It is mandatory that the Foundation should conduct the lending activities in accordance with its Charter. This mandatory rule is based on the provisions of the Civil Code since in accordance with the Civil Code the Foundation is not considered as commercial legal entity. Please, note: in Armenia only the banks and credit institutions of commercial nature should be chartered in and regulated by the Central Bank of Armenia, the state body that registers and supervises banks and credit institutions.

- The Civil Code of Armenia – This is the basic statute regulating the establishment of a legal entity (including Foundations), its operations, execution of the deals and contracts, the rights and liabilities of the parties involved in Armenia in any commercial or non-commercial contractual transactions. Particularly, the Civil Code of Armenia specifies the procedures for establishing the Foundation and the basic rules for executing the contractual obligations.

- There are different laws related to taxation. The basic taxation law in Armenia is the Law On Taxes. In accordance with it there have been adopted several laws of the Republic of Armenia regulating taxation system in Armenia. The following are the laws regulating the taxation: Profit Tax Law, Income Tax Law, Value Added Tax Law, Excise Tax Law, Property Tax Law, Land Tax Law, and Simplified Tax Law. The applicability of the specific law is based on the essence of conducted operations and the form of entity. There are also several exemptions that apply to specific transactions. For example, the Profit Tax and VAT are not applicable to income earned from lending transactions. The Armenian legislation also provides provisions for taxing foreign individuals and legal entities. Thus, for example, in case a foreign party is involved in contractual transaction the Profit Tax should be withheld by the Armenian counterparty. The taxation in Armenia is very complicated and its legal requirements are changing very often. Therefore, we need to make a research on tax issues just for the initial tax planning. The final estimations on the tax planning may be based only on conducting specific tasks and transactions.

- Currently Armenia uses the accounting principles that are comply with international accounting principles and standards. By the end of 2003 all non-commercial legal entities must keep their accounting in accordance with the standards adopted by the Government of Armenia.

- The Law On Energy – As mentioned, this Law identifies the authority of the Armenian Energy Regulatory Commission authority over the energy sector of Armenia. The Law may not affect the establishing and operating the Foundation directly. However, based on the tasks and goals of the Foundation, we need to underline the basic authorities of the Armenian Energy Regulatory Commission, its functions and possible impact on the Foundation activities: tariffs, licenses and etc.

- The Government Decree on Reforms in the Urban Heating is researched yet. It would be more reasonable to research this Government Decree after its final adoption and publication. In addition, there is information that the new law on Heat Supply has been adopted by the National Assembly. That law is not published either. So, additional research may be done after publication of these statutes.

- There are other issues and concerns relating to the Foundation activities in Armenia. For more information please see the Analysis section of this memo.

SECTION 2: LEGAL ANALYSIS

I. FOUNDATION AS LEGAL ENTITY.

1. GENERAL INFORMATION ON FOUNDATIONS

Based on the specific needs of the Fund it would be suggested to establish a non for profit legal entity in the form of Foundation specified by Articles 123-124 of the Civil Code of Armenia. Currently the Foundations status and establishing is regulated only by the provisions of the Civil Code. There are no other statutes regulating the establishing and legal framework of Foundation-type legal entities. Thus, in accordance with the Civil Code of Armenia the Foundation is a non-commercial legal entity founded by individuals and/or legal entities on the basis of voluntary property contributions.[6] As a mandatory rule specified in the Civil Code, the Foundation may not have any kind of membership. The basic goal for establishing the Foundation should be pursuing social, charitable, cultural, educational or any other socially-useful purposes.[7] It is important to note that after making payments or contributing the property/assets into capital of the Foundation the founders loose the right to withhold this contributed funds/assets/property from the capital of the Foundation. Thus, all the contributed property/amounts/assets should be in the sole ownership of the foundation.[8] The assets of the foundation shall be used exclusively in accordance for the purposes and goals specified in its Charter.[9] In addition the Foundation must publish annual reports on the use of its property.[10]

Concerning the contractual liabilities of the Foundation: the basic rule is that the Foundation, as a legal entity, should be liable itself for its contractual obligations. Accordingly, the founders and the Foundation shall not be held liable vice versa for each others liabilities.[11]

1.1. <u>The Foundation Charter.</u>

The most important regulatory document for the Foundation should be its Charter. It must be adopted by the Foundation founders.[12] Then the Charter must be registered by the authorized state body[13]. There are mandatory rules that should be regarded while the Charter of Foundation should be adopted by the founders.[14] Thus, the Foundation Charter shall specify the organizational form of the Foundation, its regulatory and management bodies, their powers and authorities. The Charter should also include the following mandatory statements and the necessary information:[15]

- The legal name of the Foundation that must also contain the word “Foundation”,
- The place of the Foundation's location. For information: the place of location is considered the address of location for the highest governing body of the Foundation that should act on permanent basis.

- The information on the basic purpose for establishing the Foundation, other tasks and goals of the Foundation,
- Provisions related with the management of the Foundation: indication of the executive bodies of the Foundation, structure of the governing bodies, including the Board of Trustees exercising supervision over the activities of the Foundation.
- The procedure for appointing official persons of the Foundations and discharging them.
- The procedure for disposition of the property of the Foundation in case of its liquidation.

1.2. State Registration of the Foundation

The Foundation should be registered in accordance with the law.[16] Basically, the founders should sign a founding agreement, make initial investments in the Capital, adopt the Charter and call the first general meeting of the founders.[17] Then, all necessary documents (including the Charter) should be presented to the state authorities for registration.[18] Certain state duties may be charged for the Foundation registration.[19] It is very important to note that the Foundation would be considered established since the state registration.[20] After completion of the registration the Foundation should be registered in the local tax authorities (for obtaining tax payer code) and in the local social security authorities. In addition, the official seal of the Foundation should be ordered and the bank account should be opened for conducting further operations. The mentioned registration process may be completed in 15 business days. The charges and duties for the registration are depending on the timing but should not exceed AMD 50 000[21].

1.3. General Information on Activities

As a result of state registration, the Foundation should have separate balance sheet. It is very important to note that upon the state registration the Foundation may be involved in commercial activities only in the event if the goals specified in its Charter are not disregarded. Thus, the Foundation may establish commercial legal entities or participate in them for conducting commercial activities that are not related with the goals specified in its Charter.[22]

1.4. Representative offices, branches and subdivisions

In addition to the head office, the Foundation may establish representative offices, branches and subdivisions located outside of its headquarters.[23] All the activities conducted by these offices should be authorized by the head office, in accordance with the provisions specified in the Charter of the Foundation.

1.5. Amendment in the Charter.

Any amendment of the Charter may be done by the executive bodies of the Foundation, if the Charter provides the possibility of changing it by such procedure[24]. However, if the preservation of the Charter in unchanged form entails such consequences that would have been impossible to foresee at the founding of the Foundation, and the possibility of changing the Charter is not provided in it, or the Charter is not changed by the authorized persons, the right of making changes shall belong to a court upon request of executive bodies of the Foundation or of the body authorized by the Charter of the Foundation to exercise supervision of its activities.[25]

1.6. Liquidation of the Foundation

It is important to note that the foundation may be liquidated only by the court decision. Thus, a decision on the liquidation of the Foundation may be taken by a court upon request of interested persons. The Civil Code states the grounds for liquidation of the Foundation. Particularly, a Foundation may be liquidated:[26]

1) if the property of the Foundation is insufficient for conducting its purposes and an expectation of receiving the necessary funds is unrealistic;
2) if the purposes of the Foundation may not be attained, and the necessary changes of purposes of the Foundation may not be made;
3) in case of deviation of the Foundation in its activities from the purposes provided in the Charter;
4) in other cases specified by a statute;

Another important rule is that in case of liquidation of the Foundation, its property shall be put to the purposes indicated in the Charter of the Foundation and, if this is impossible, the property shall be transferred to the state budget.[27]

II. THE LAW ON CREDIT INSTITUTIONS. POTENTIAL IMPACT OF THE LAW ON THE FOUNDATION.

1. APPLICABILITY OF THE LAW ON CREDIT INSTITUTIONS (2002)

The Law of the Republic of Armenia On Non-Bank Financial Institutions (the correct translation from Armenian would be «The Law On Credit Institutions») regulates the procedure, terms and conditions for licensing, activity regulation, and supervision of credit organizations, including credit unions, savings unions, leasing and factoring organizations and other credit organizations, as well as the procedure for changing the status of banks operating in the Republic of Armenia.[28] The Law is not applicable to banks (except the cases specified in the law), insurance companies, persons conducting professional operations in the securities' market, pension funds, investment firms, pawnshops, agricultural credit clubs, the activities of which are regulated by other laws and legal acts of the Republic of Armenia.[29]

The most important point that needs to be outlined is that the law specifies a credit organization may be established only with the structural status of a limited liability company, joint-stock company or commercial or non-commercial co-operative.[30] At the same time the law of the Republic of Armenia On Credit Institutions stipulates that the activity of a credit organization shall be deemed as the business activity based on borrowing and (or) concluding similar transactions and lending in the form of credits or other investments defined by the mentioned law.[31]

Based on the mentioned provision, it is definitely clear that the legal entity in the legal status/form of foundation should not be applicable to the provisions of the law for the reasons specified further.

Generally, the foundation which lends loans in accordance with its Charter is not obliged to be licensed by the Central Bank of Armenia as a credit institution. Thus, according to the Civil Code of the Republic of Armenia there are two basic types of direct lending (borrowing) agreements: one of them is the loan agreement which is regulated by Articles 877-886 of the Civil Code and another one is the credit agreement which is regulated by Articles 887-891 of the Civil Code. Please note, that basically the articles 877 and 887 of the Civil Code of Armenia specify the legal essence of these agreements and give a legal definition for each type of agreement. Legally speaking, these two types of agreements are different in their legal nature, and generally, there are four essential legal points which make them different. Those essential four legal differences (principles) between the mentioned two types of agreements are the following:

1) Only the banks and credit organizations can lend "credits" in accordance with Article 887 of the Civil Code.[32] Alternatively, any individual and legal entity can lend "loans" in accordance with Article 877 of the Civil Code.[33]

2) According to the law only monetary funds may be subject to "credit" agreement.[34] Alternatively, the subject of lending under the "loan" agreement may be any tangible good (including monetary funds).[35]

3) The "credit" agreement should not be non-interest.[36] Alternatively, the "loan" borrowed in accordance with the loan agreement may be without interest.[37]

4) Another legal reasoning is that under the "credit" agreement the parties of it are obliged to perform the obligations specified in the agreement immediately after the execution of it: signing the "credit" agreement is legally binding the parties.[38] Alternatively, the "loan" agreement is not considered binding the parties if the object of the ''loan'' agreement (monetary funds, goods or assets) is not actually repossessed yet to the borrower.[39] The "loan" agreement is considered executed only upon transfer of the borrowed assets.

Based on the mentioned four principles, the Law On Credit Institutions specifies that with the exception of banks and credit organizations, no other person in the Republic of Armenia shall be allowed to conduct any of the activities assumed to be crediting in the meaning of Article 887 of the Civil Code of Armenia. As we may conclude, the activity of a credit organization shall be specified as the commercially oriented (conducting a business for profit) business activity of borrowing and/or concluding similar transactions which should be followed by lending in the form of "credits" or other investments defined by the law. On the other hand, the foundations are non-commercial legal entities conducting the activities specified in its Charter. Thus, they do not pursue the goal of getting income, but they can do commercial activities to have income for implementation of the purposes and goals specified in their Charter. As a result, as far as the foundations conduct commercial activity (including lending loans), but not lend the "credits" in the meaning of Article 877 of the Civil code, they are not obliged to be registered as new legal entity with the mentioned above commercially oriented legal structure and status.

Resuming the research conducted on the Law "On Credit Organizations", we may note that the foundations may disburse "loans" in the meaning of Article 877 of the Civil Code to anybody, without any limitation. Accordingly, the Law on Credit Institutions is not applicable to the Foundation lending activities even if it is related with direct lending of monetary funds in accordance with the Charter.

III. TAXATION ISSUES.

1. GENERAL INFORMATION ON TAXATION IN ARMENIA

As mentioned earlier, according to the Civil Code of the Republic of Armenia, a foundation is a non-commercial organization (legal entity), which shall operate in accordance with its Charter. The Foundation should not have any kind of membership. Voluntary investment made to the foundation by its founders (legal entities or individuals) determine the ownership and assets of the Foundation.

However, the tax laws and relevant tax regulations of the Republic of Armenia should be applicable to the activities of Foundation. Thus, the taxes and duties which potentially may be applicable, directly or indirectly, to the Foundation and its activities are the following:

- Profit Tax
- Income Tax,
- Value Added Tax,
- Property Tax,
- Land Tax (only in case of the land ownership),
- Mandatory Social Welfare duties
- Other State duties and fees depending on the specific activity conducted.

Definitely, it is not mandatory that all the mentioned types of taxes should be levied on the Foundation. However, there is an assumption that the Foundation may be involved in labor, contractual and other kind of relationships with different individuals and legal entities, state authorities. Based on that assumption, we need to review the basic types of taxes which would be applicable to the Foundation activities and operations. Therefore, in this review the main accent is done on the basic applicable taxes (Profit Tax, VAT, Income Tax, Property Tax) and the issues related with other types of taxes (the taxes which are less applicable to the Foundation) are presented in general format.

2. PROFIT TAX ISSUES:

2.1. The Scope of the Profit Tax. Residence Issues

In accordance with the law on Profit Tax both residents and nonresidents (except individuals, the state budgetary organizations and the Central Bank of Armenia) must pay profit tax in Armenia[40]. The Foundation, being a legal entity registered in Armenia, is deemed to be resident for the purposes of the Profit Tax[41]. Any resident is taxed on the profit derived both in Armenia and abroad, while non-residents are taxed only on income within Armenia[42]. Please note that income received by non-residents from other sources in Armenia, e.g. dividends (for enterprises only), interest income, royalties, rental income etc. is subject to a withholding at the source[43]. Withholding may be reduced or eliminated by applying double tax treaties.

The tax (fiscal) year is deemed to be the calendar year starting on January 1-st and ending on 31 December of each year[44].

2.2. Rates

Annual profit tax rate is 20%[45]. However, the Law may establish, for certain payers or the group of payers and types of activity a fixed payment which substitutes for the profit tax[46]. Unfortunately, it is matter of fact that these fixed payments are not applicable to the Foundation activities and at this moment they should be disregarded. Nevertheless, for information: there are specific applicable tax rates for certain types of activities. Thus, for example, for non-residents, the rate for income earned from insurance compensations, reinsurance payments and incomes from freight is 5%[47]. On other hand, the rate for incomes received as dividends, interest, royalty, income from the lease of property, increase in the value of property and other passive incomes, as well as other income received from Armenian sources is 10%.[48]

2.3. Exemptions

The tax payers involved in agricultural activities are exempt from profit tax on revenue received from selling agricultural products[49].

Important Exemption Applicable to the Foundation:

The payments and services received by not-for profit (non-commercial) legal entities on the gratis basis are considered as income for Profit Tax purposes[50]. Accordingly, all the assets (payments, contributions) and services which may be received by the Foundation on the gratis basis shall not constitute as income and shall not be taxable.

Special Exemptions and Deductions of Profit Tax for foreigners established Legal Entities:

One of the most important issues that may dramatically affect the Foundation taxation under the Profit Tax is the benefit provided by the Profit Tax Law for large investment made by foreign individuals and legal entities. Thus, the Law specifies that if foreign individual or legal entity establishes resident legal entity in Armenia and investing in the Capital of that entity more than AMD 500 million the rate for Profit Tax may be exempted from 50% up to 100% for several years following the date of establishing the legal entity. The following chart shows the applicable rates for exemptions and deductions of the profit tax for entities established by foreigners:

The year when the investment completed by foreigners in the Statutory Capital of the resident Legal Entity (year)	The rate applicable for deduction/exemption from applicable Profit Tax which is levied on the legal entity with foreign investment participation (year by year)	
	100 % deduction/exemption	**50 % deduction/exemption**
2002	For years 2003 and 2004	For years 2005 and 2006 (including)
2003	For years 2004 and 2005	
2004	For years 2005 and 2006	
2005	For years 2006 and 2007	
2006	For years 2007 and 2008	
2007	For years 2008 and 2009	

As it shown on the tax deduction chart, if the Foundation would be established in 2002 with the capital exceeding AMD 500 million, then it should not pay any Profit Tax for 2003 and 2004 fiscal years and 50% deduction from Profit Tax would be applied for the 2005 and 2006 fiscal years.

Note: the legal entities established after 2002 would not have the tax relief for 50% deduction on the third and fourth years of operation. Based on that, it is strongly recommended to establish the Foundation and make the foreign investments exceeding AMD 500 million by the end of 2002.

Anyway, despite the deductions described we need to figure out the basic principles used in the Profit Tax calculation and determination. Therefore, the following sections will describe in general all the important issues related with that.

2.4. Determination of Taxable Profit

In order to figure out what the taxable profit is we need to refer to the provisions of the Law. Thus, in accordance with the Law the taxable profit is the positive difference between the gross income and the deductions allowed under the Profit Tax Law[51]. It is important to note that income and expenses shall be accounted by using the accrual method[52].

The following shall be considered as gross income:[53]

- revenue derived from the sale of products and services;
- income derived from the sale of fixed and other assets;
- loan interest and other types of interest; leasing income; royalties; dividends;

- insurance compensation;
- income received from debt or trade financing;
- income received from futures, options and other similar transactions;
- gratis assets;
- income received from compensation for damage caused;
- income received in the form of penalties and fees,
- fines and other proprietary sanctions;
- income received from transactions recognized as invalid;
- amounts of bad debts written off, etc.;
- returns on bad debts written off;
- the amounts discovered that were accounted as loss or deduction during the preceding three years
- income from trust, brokerage and financial agent operations;
- income received on issue of bonds, payment orders, checks, cards and similar payment instruments;
- the assets received back as compensation coverage from insurance funds;
- commission payments received under the re-insurance agreements,

Alternatively, the following shall be considered as expenses, which are particularly[54]:

- material cost;
- labor cost;
- obligatory social security payments;
- depreciation;
- insuranse payments;
- non-refundable taxes, duties and other obligatory payments;
- interest on loans, credits or other borrowings;
- payments for guarantees, guarantee letters, L/Cs and other banking services;
- advertising expenses;
- representation and business trip expenses;
- paid penalties, fees, fines (except the penalties, fines and fees paid to the state or community budget)
- court expenses; auditing, legal, and other advisory information and administrative services expenses;
- the loss recovery;
- expenses made for factoring and trust operations;
- expenses discovered that were not accounted as expense during the preceding three years;
- current expenses made on fixed assets maintenance expenses, etc.;

2.5. Allowable Deductions

In addition, the Profit Tax Law specifies the certain types of expenses and contributions which may be deducted from gross revenue amount. Thus, in accordance with the Profit Tax Law contributions made to religious, public and other nonprofit organizations (but not more 0,25% of gross income) are allowable deductions[55].

2.6. Not Allowable Deductions

In contrast to the previous paragraph, the Profit Tax law specifies that the following expenses are not deductible from gross revenue for the amount exceeding the limits specified by the government[56]:

- payment for violation of pollution laws;
- expenses for advertisement outside Armenia;
- training of staff outside Armenia;
- expenses for special nutrition and uniforms for the employees;
- expenses for foreign trips, and per diem for local trips;
- representative expenses;
- expenses on the maintenance of public health institutions, rehabilitation camps, culture, education ands sport institutions, etc;
- fees, penalties, fines paid to the state and community budgets, social security fund;
- gratis assets, remitted liabilities;
- expenses on services rendered by the taxpayer, which are not related to the production of goods, etc.

2.7. Depreciation

One of the most important issues which may affect seriously on the amount of the Profit Tax is the depreciation of the taxpayer's assets. Note: assets depreciation and deductions are allowed based on the useful life of the following types of assets[57]:

Type of asset	**Minimum use/age terms (years)**
Buildings, constructions	20
Hotels, resort hotels, kemps, school and educational buildings and constructions	10
Assembly lines, robot equipment	3
Computers and calculating devices	1
Other fixed assets	5

Profit tax payers may apply other depreciation rates within the above rate limits. Depreciation is calculated on the initial cost of the assets on a straight-line basis.

The depreciation term of intangible assets is specified by the taxpayer on the basis of the possible period of effective use[58]. The depreciation of tangible assets with the cost less than AMD 50000 the effective use term is considered 1 year[59]. In case of being unable to determine such period, the minimum depreciation period of intangible assets should be not less than 10 years[60].

2.8. Gratis Assets

Gratis assets are considered as an income only in the period when they are recognized as expense or loss[61]. This rule does not apply to non-residents.

2.9. Dividends

Dividends received by residents are not taxed. Although they are recognized as income, they are allowed as a deduction for resident taxpayers[62]. Dividends, received by non-residents are subject to the withholding tax,

except for the cases when shares are owned for no less than 2 years, the non-resident during the previous 2 calendar years from the date of the payment of dividends owned no less than 25% of capital shares, the receiver of the dividends is actual owner of the shares and the dividends are not subject to tax in the resident country[63].

2.10. Losses

The profit tax law allows for losses to be carried forward. An enterprise that incurs a loss in one accounting year may deduct for the same fiscal year and offset against profits earned in that year[64].

2.11. Reporting (Return) Requirements. Tax Payments.

Profit tax for the each fiscal year is calculated by the taxpayer independently, using appropriate rates and tax privileges set in the Law[65].

Taxpayers must file a tax return and annual reports (in the form specified by the Armenian legislation) to the local tax authorities by 15th April following the end of the reporting tax (fiscal) year.[66]

Profit tax must be paid to the state budget before 25th April of the year following to the reporting year[67].

Advance payments shall be made monthly, if the amount of profit tax paid by residents exceeded AMD 500,000 in the previous year[68]. These payments are based on 1/16 of the actual profit tax paid during the previous year[69]. Payments are made before the 25th day of the current month.[70]

However, newly registered taxpayers do not have to make any advance payments of the profit tax up to April 25 of the year following the registration year[71].

2.12. Withholding the Profit Tax on Incomes Paid to Non-Residents.

The profit tax on the income paid to non-resident must be withheld by a tax agent.[72] The Profit tax should be withheld from the total amount of income paid to a non-resident at the following rates:[73]

TYPE OF INCOME	PROFIT TAX (%)
Insurance compensation, reinsurance and freight income	5
Dividends, interest, leasing income, royalty, and other income received from Armenian sources, etc.	10

It is important to note that tax agent must pay to the state treasury all amounts withheld from non-resident taxpayers. It should be done not later than 5-th day following the date of income payment to non-resident profit taxpayers.[74] In addition, quarterly, but not latter than on the first day of the second months of the quarter, the tax agent must submit the local tax authority the report on all the payments made to non-resident Profit tax payers and amounts accordingly withheld from them and paid to the state treasury[75].

2.13. Responsibility for violations of the Profit Tax Law

The law specifies general responsibility of tax payers and tax agents for violations of the law. Thus, for violations related with overestimated losses causes penalty in the amount of 20% of the overestimated loss. For violations related with tax agent obligations the full responsibility for non-payment of the Profit Tax by non-resident tax payer should be levied on tax agent.[76]

3. INCOME TAX ISSUES:

3.1. Scope of the Law «On Income Tax»

Definitely, the Law of the Republic of Armenia "On Income Tax" should be applicable to the Foundation if it hires employees and pays them salaries and wages or pays to any individual any kind of income for services rendered. Basically, the law regulates relations pertaining to the definition and payment of income tax in the Republic of Armenia, defines the circle of income tax payers, tax rates, the procedures for the calculation and payment of the income tax in RA.[77]

Thus, in accordance with the Law the taxpayer for Income Tax is considered any individual, domestic or foreign, who earns income: whether in Armenia or abroad.[78] Accordingly, in the Republic of Armenia the income tax shall be paid by (the taxpayers are) resident (hereinafter referred to as 'residents') and non resident natural persons earning income from sources in the Republic of Armenia.[79] Although it is important to note that the income earned abroad may be subject to the Income Tax Law only if it is earned by the resident of Armenia.[80] Thus, for non-resident individual an income earned only from Armenian sources may be subject to the Income Tax.[81]

The basis for calculation of income tax is an aggregate amount of income earned, except the earnings deducted in accordance with the law. Taxable income to be considered the positive balance of a taxpayer's gross income and deductions made pursuant to the provisions of the law.[82]

In accordance with the law the term "income" shall mean the earnings specified in the Law. For example, the following earnings which may be received from the Foundation by individuals during operation of the Foundation are defined by the Law as taxable income:[83]

a) salaries, wages and payments deemed equal thereto;
b) compensation received against any copyrights for the use of a work of literature, art or science, of any licenses, trade marks, blueprints or models, plans, classified formulae or processes, software for computers or for databases, the rights for the use of industrial, commercial or scientific equipment, as well as against the provision of information about industrial, technical, organizational, commercial, scientific experience (hereinafter referred to as 'royalties')

c) loan interest payments and other compensation from lending (hereinafter referred to as interest payments)
d) Dividends
e) property and cash received as a donation or assistance
e) earnings from entrepreneurial operations and sale of the goods
f) payments and other compensation received against lease (hereinafter referred to as 'lease payments') as well as incomes received pursuant to other civil contracts
g) insurance payments made by legal persons or enterprises possessing the status of a legal person on behalf of natural persons, etc.[84]

Alternatively, the law specifies the types of earnings which should not be considered income. These exemptions may be important for correct calculation of the Foundation's employees' income tax. Thus in accordance with the law the following is not deemed to constitute income:[85]

a) State benefits paid according to the legislation of the Republic of Armenia with the exception of allowances for temporary work disability and for care after a sick family member
b) all types of retirement benefits paid pursuant to the legislation of RA
c) one-time compensation paid pursuant to the legislation of the Republic of Armenia to disabled, or the families of killed, military servicemen
d) alimony (sustenance payments) paid pursuant to the legislation of RA
e) payment received by natural persons against donated blood, breast milk and other [similar] types of donation.[86]

3.2. Income Tax Rates:

As it is stated in the Law, in determining taxable income a monthly deduction shall be made from the gross income of the taxpayer in the amount of AMD 20000 for each month of the receipt of income.

There are specific deductions applicable to income received by individual[87]. For example, the Law specifies some peculiarities for payments made for retirement, employment and social security. Thus, in accordance with the Law in determining taxable income a deduction shall be made from the gross income in the amount of payments made for retirement, employment and social security on the expense of the taxpayer. The mentioned deduction, in cases provided for by the law, shall be calculated and deducted from gross income after the deduction from it of the amount of expenses defined by this law pertaining to the receipt of individual types of income[88].

In accordance with the Law on Income Tax any parson that makes payments to individual should be considered as tax agent except the cases specified by the law. As a general rule, the tax agent for Income Tax purposes should calculate and withhold the Income Tax prior to making any kind of payment to individual (except the cases specified by the law)[89].

However, depending on the activity and the source of income the following rates are applicable to the amounts received by individuals[90]:

TAXABLE AMOUNT:	**APPLICABLE RATE:**
- If the taxable amount is less than 80000 AMD (for the tax withheld by tax agent) [91]	10 % of the taxable amount
- If the taxable amount more than 80000 AMD (for the tax withheld by tax agent)[92]	8000 AMD plus 20 % of the amount exceeding 80000 AMD
- If the taxable amount is less than 960 000 AMD (for the income not withheld by tax agent)[93]	10 % of the taxable amount
- If the taxable amount is more than 960 000 AMD	96000 AMD plus 20 % of the amount exceeding 960000 AMD

(for the income not withheld by tax agent)[94]	
- Income earned from the royalties and rent (Note: no any deductions allowed)[95]	10 %
- Income earned from any kind of interest (Note: no any deductions allowed)[96]	10 %
- Income earned from tax agent against the sale of goods (Note: no deductions allowed except the deductions specified for the sale of securities and agricultural products)[97]	10 %

3.3. Peculiarities of taxation of foreign citizens and stateless persons

The are some peculiarities related to the taxation of non-resident individuals. The basic legal condition for taxation of non-resident individuals is considered the source of income: it depends whether the income is earned from Armenian or foreign source. Generally, the income of non-residents earned exclusively from Armenian sources is subject to Income Tax[98]. Thus, if the income earned by a non-resident individual is from insurance coverings and any kind of interest, the applicable rate would be 5%, otherwise for any other kind of the received income the applicable rate would be 10%[99].

The tax shall be levied on the total amount of paid income prior to the application of deductions provided for by this law (exception is the deduction allowable for the income received from securities)[100]. Income tax from salaries and wages and payments deemed equal thereto shall be calculated and withheld (collected) at the rates specified in article 18 prior to the application of personal deductions provided for by this law[101].

In accordance with the law the general rule is that amounts withheld (collected) by a tax agent at the applicable rates shall be deemed to constitute the final income tax payment for foreign citizens and stateless persons in Armenia, with the exception of the cases when such person is a resident or he/she implements entrepreneurial operations in RA under the terms of sub-clause "a", clause 2 of article 20 of the Law On Income TAX. In such cases foreign citizens and stateless persons shall apply to a tax agency of his/her location of operations or domicile for a recalculation. For this purpose, in a procedure and time-frame defined by this law, an income statement shall be submitted for the calculation of the final amount of the tax (particularly for offsetting the amount of the tax withheld at the source as well as for consideration of the deductions pursuant to this law).[102]

3.4. The Income Tax withholding and payment to the state budget

Tax agents must withhold the income tax and pay it to the state budget not latter than 5-th day of the month following the date of payment the income to the individuals.[103] With the exception of cases referred to in clause 2 of Article 20 of the Law On Income Tax the tax shall be withheld (collected) by the tax agent from incomes paid to natural persons.[104]

There is no doubt that the Foundation should be deemed as Tax Agent in accordance with the Law. Based on that, it should be clearly outlined that solely the Foundation will be responsible for correct and on-time calculation, withholding and payments to the treasury all the tax amounts levied on its employees for salary, wages, etc.

3.5. Issuance of a reference on the tax withheld

Tax agents shall be obliged to, upon the request of a natural person, issue references on the accrued and paid income, deductions made and the amount of withheld taxes for submitting them to the tax bodies as well as to other tax agents.

Upon the application of a non resident the bodies of the tax inspectorate shall issue a respective reference on the amount of taxes withheld from sources in Armenia in a format and by a procedure defined by the tax inspectorate of the Republic of Armenia.

3.6. Reporting and Filing Requirements for Tax Agents

Tax agents must file written information (in a format stipulated by tax inspectorate of the Republic of Armenia) on income paid to natural persons, their permanent (registration) addresses and taxes withheld from the above-mentioned income and remitted to the state budget in the course of the past quarter to the body of the tax inspectorate of their location every quarter not later than on the first day of the second month of the following quarter. Such information shall subsequently be forwarded to the bodies of the tax inspectorate of the location where the above-mentioned natural persons reside or are registered.[105].

In the event of liquidation (termination of the operations) of a tax agent the information, pursuant to clause 1 of this Article shall be filed with the body of the tax inspectorate by the tax agent within 5 days from the day of application to the state registry on dissolution (termination of the operations)[106].

The tax agent (including the employer) must submit to the body of the tax inspectorate of its location quarterly summary reports in a format stipulated by the tax inspectorate of the Republic of Armenia and not later than on the first day of the second month of the following quarter, on incomes paid to natural persons within the past quarter, on the amounts of taxes withheld and remitted to the state budget.[107]

3.7. Responsibility of Tax Agent for violations of the Law "On Income Tax"

In case of violations of the Income Tax Law the tax agent shall bear responsibility for the violation of this law in the manner defined by the legislation of the Republic of Armenia[108]. This rule applies to all kind of violations, including non-withholding the tax, delays of payments to the state treasury, non-providing the information required by the law or delays to provide such information.

Particularly, the Law specifies the following types of responsibilities of natural persons and tax agents for the violation of the Law:

Pursuant to the provisions of the law, in the event of failure to withhold (collect) the income tax at the source the tax liability (and the penalties, calculated in accordance with the procedure defined by the legislation of the Republic of Armenia, for failure to pay the profit tax into the state budget within stipulated time-frames) is shall be borne by the tax agent.[109]

Pursuant to the provisions of the law, the amounts of the income tax not withheld in time (or withheld less) by the tax agent from the income paid to natural persons may be withheld from such natural persons in a manner defined by the legislation of Armenia for not more than the past three months, whereas the tax withheld in excess of the defined amounts shall be credited to future withholdings or shall be refunded within a one month period from the day when such fact becomes known, for three calendar years succeeding the day of the withholding in excess of the defined amount.[110]

In the event of a violation of the Law on submitting the information to tax authorities, the tax agent which duly has not provided the information required by the law must pay a penalty of 5000 AMD for each item of information required but not submitted.[111]

4. VALUE ADDED TAX (VAT) ISSUES

4.1. Scope and Application of VAT to the Foundation activities

In accordance with the Law of the Republic of Armenia «On Value Added Tax» (VAT) everyone who conducts independent entrepreneurial (economic) activity (business) and carries out taxable transactions specified in the Law must pay VAT[112]. Please note, that the law clearly specifies the definition of independent entrepreneurial (economic) activity (which is considered to be any activity aimed for profit making and based on regular economic activity). Foundation, being a nonprofit and noncommercial legal entity, should not be considered as VAT taxpayer but in the practice this provision of the law is the most disputable tax issue in reality. Thus, very often the mentioned provision is disregarded by tax authorities and all the legal entities are deemed to be VAT taxpayers. Please note, in case of arguing to the applicability of VAT to the activities of the Foundation the litigation should be initiated to get a court ruling on this subject. Otherwise, the tax authorities would insist on applicability of VAT on the activities of the Foundation. Therefore, we need to figure out all the aspects regulated by the Law on VAT: the rates and other relevant issues.

4.2. Rates

For information: the general VAT rate is 20% of the turnover of taxable goods and services, which is equal to 16, 67% of VAT-inclusive prices.[113]

Please note, that VAT is a non-cumulative indirect tax. In calculating the VAT, Armenia uses the credit method for all businesses, i.e. Thus, VAT paid to suppliers is creditable against VAT collected from customers. Therefore, only the difference between the total VAT collected from customers and the total VAT paid to suppliers during a reporting period must be paid.

4.3. VAT Threshold

The VAT may be applicable to any entity which exceeds the threshold: all persons conducting business must exceed the threshold before paying VAT. Businesses do not pay VAT if their revenue from taxable transactions during the preceding fiscal year does not exceed AMD 30 million.[114]

For the purposes of determining whether a business exceeds the taxable threshold, deductions are not permitted to be offset against revenue. Therefore, for example, commercial entities will have revenue equal to turnover. After exceeding the threshold limit, VAT should be calculated and paid only on the amount exceeding AMD 30 million.[115]

4.4. Taxable Transactions

It is very important to outline the transactions which are subject to VAT. Thus, the following transactions are subject to VAT:[116]

- supplies of goods and services;
- free or partially free consumption and delivery;
- import of goods in accordance with the "permanent importation for free circulation" customs regime , with the exemption of:
  - goods, included in the approved list, imported into the territory of the RA by entities and individual entrepreneurs, the rate of custom duty on which is set 0% by the Law and which are not subject to the excise tax;
  - goods imported into the territory of the RA in the field of humanitarian assistance and charity, whose turnover is determined to be exempt from VAT by the authorized bodies of the Government of the Republic of Armenia.

4.5. Non-taxable Supplies

Please remember that VAT, for example is not levied on:[117]

- state duties;
- certain types of the deals specified by the Decrees of the Government
- the import of goods and services by individuals for personal needs;
- the import of personal property by citizens entering the RA for permanent residence;
- sales of values and treasures without owner, inherited to or bought by the State, etc.
- other transactions specified in details by Article 7 of the Law On VAT.

4.6. Exemptions and Zero Rating

According to the Law some transactions and operations are exempted from VAT and some are rated at zero per cent. The difference between exemption and zero rating is that exemption does not compensate a seller for VAT paid and incorporated at earlier stages of the distribution chain; it only exempts the value added by the seller. Zero rating removes taxes incorporated at all stages.
Zero rating applies to the following goods and services:[118]

- exported goods;
- retail sale of goods for passengers of international routes in airports, in places specially allocated for that purpose beyond customs and passport control territories (Note: in case of exporting the VAT already paid by foreign persons for the goods bought in Armenia should be compensated to them in the manner specified by the Government):

- services on international transportation of passengers, baggage loads and post by all means of transport in the part of transportation implemented outside the territory of the Republic of Armenia;
- maintenance, repair and re-equipment of the means of transport for international transportation;
- services on processing and assembling of products from the raw material, semi manufactured good, and materials provided by foreign residents and exported outside the customs body of RA;
- services, whose place of provision is outside the domestic territory of the Republic of Armenia;
- commodities for the official and personal use of diplomatic and consular personnel;
- transit transportation of foreign loads through the territory of the Republic of Armenia, etc.

The Law states that upon the export of commodities purchased in Armenia by foreign citizens, VAT amounts paid in Armenia shall be returned by customs officials in compliance with governmental decision. Unfortunately, this rule does not work in practice.

The VAT law exempts certain items, among which the following are included:[119]

- tuition for secondary, professional, and high schools;
- education material such as music books, albums for drawing, children's and school literature;
- scientific research work;
- veterinary medicines, poisonous chemicals, fertilizers used in the production of agricultural products;
- sale of agricultural products produced in Armenia by the producer; radio and TV broadcasting, not compensated by the users;
- sales of newspapers and magazines; sales of lottery tickets at the face value; insurance, reinsurance and banking operations;
- sales of bread;
- sales of black oil;
- precious and semiprecious stones, registered in the list, defined by the Government of the Republic of Armenia;
- products and services imported to Armenia for humanitarian and charitable purposes;
- financial services (including lending and crediting, financing, etc.)[120];
- other activities specified in details by Article 15 of the Law "On VAT".

4.7. Determination of Taxable Base

General rules specified by the Law and used for determining the taxable base of VAT are the following:

- In case of the delivery of goods and services the taxable base is considered to be the value (in terms of money) of delivered goods and services (including other payments joint to this value pursuant to the Law) excluding VAT which is paid by the purchaser to the supplier;[121]
- for goods imported into the RA, the taxable base is the sum of their customs value, customs duty and any excise tax levied at the moment of import;[122]
- for imported goods, which have been earlier exported from the territory of the RA by VAT payers for the purpose of processing or repair, the taxable base is the value of processing and repair [thereof] which has been paid as an indemnity to foreign legal persons or citizens. When it is impossible to define this value the taxable base is the difference between the customs value of the imported goods after processing and repair and the customs value declared at export;[123]
- for intermediary services, the taxable base is the payment received excluding VAT;[124]
- in cases of the free delivery of goods and services, the taxable base is the price paid for similar supplies at the time of the transaction;[125]

- the taxable base for barter transactions is determined on the basis of their VAT exclusive price applied at the time of delivery;[126]
- in case of delivery of goods subject to the excise tax, the taxable base should include also the excise tax.[127]

4.8. Tax Invoices

Tax invoices must be filed by those suppliers of goods and services who pay VAT in accordance with the Law. The Tax invoice is the document that confirms the supplier of goods and services.[128] The Tax invoice should not be issued if:[129]

- The supplier of the goods and services is not VAT payer,
- For the goods and services which are exempted from VAT, and
- For the transactions that are not considered to be subject of VAT or zero rate is applied to them.

4.9. Reporting and Payment Requirements

Generally, VAT on imported goods must be paid no later than 10 days after entering the country.[130] In other cases tax declarations must be made each quarter or monthly (if the total turnover of the goods and services supplied during the previous fiscal year exceeds 60 million).[131]

Tax payments must be made before the 20th day of the month following the reporting month.[132]

5. EXCISE TAX

5.1. Scope of the Excise Tax Law

Based on the goals of the Foundation, I believe that the Law of Armenia On Excise Tax should not be applicable to the activities of the Foundation. However, some general information on applicability of the Excise Tax in Armenia needs to be presented. Thus, in accordance with the Law all legal persons and individuals producing or importing into the RA the excisable goods must pay excise tax.[133] The quantity (volume) of excisable goods shall be considered as a taxable base.[134] However, the following categories are exempt from excise tax:

- goods imported into and further exported from the RA;
- goods which are imported by citizens in amounts that do not exceed the limits specified by the law on excise tax, etc.[135]

5.2. Taxable Goods and Rates:

The goods taxable under excise tax and applicable rates are as follows:[136]

Cutoms Code	Article	Quantity (volume)	Excise tax rates (AMD)
2203	Beer	1 liter	70
2204	grape wine	1 liter	100

220410	sparkling wines	1 liter	180
	Champagne	1 liter	250
2205	vermouth and other grape wines, containing plant and aromatic extracts	1 liter	500
2206	other beverages (apple cider, pear cider, etc)	1 liter	180
2207	ethyl alcohol	1 liter (100%)	600
2208	spirits	1 liter	1,500
220820	cognac	1 liter	1,200
220860,220870	vodka, liqueurs	1 litere	300
2403	tobacco substitutes	1 kilogram	1,500
2709	crude oil and oil products	1 ton	27,000
2711	oil-gas and other carbohydrate gases (except for natural gas)	1 ton	1,000

5.3. Excise Stamps and Payments[137]

The amount paid for excise stamps is considered to be an advance payment of the excise tax.
A payment of the excise tax for goods imported to the RA is made during 10 days after import. Taxpayers producing excisable goods in the RA shall pay monthly excise tax before 15th of the month following the reporting one and submit the tax return to the corresponding Tax Inspectorate.

6. PROPERTY TAX ISSUES

6.1. Object of Taxation and Taxable Base

Hypothetically, this kind of the tax may be applicable to the Foundation. That is why we need to consider the following basic rules specified for Property Tax.

In accordance with the Law Property tax applies to individuals, legal persons and enterprises without the status of a legal person who own property in the territory of the RA with the exemption of budgetary institutions, Central Bank and local government bodies.[138] The following items are taxable:[139]

- dwelling buildings, houses, flats, cottages, garages;
- motor vehicles;
- means of water transport.

For information: the value of a building is considered as the taxable base and the engine power (horsepower or kilowatt-power) is determined as the taxable base of the transport means.

6.2. Rates

Property taxes for buildings are calculated at following annual rates:[140]

a) public and industrial buildings owned by legal entities- 0.6 %;
b) garages and cottages owned by individuals - 0.2%;
c) other dwelling buildings as it follows:

Taxable base (AMD)	Tax rate (%)	Plus Additional fixed amount (AMD)
0-3,000,000	0	0
3,000,000-10,000,000	0,1	100

10,000,000-20,000,000	0,2	7,100
20,000,000-30,000,000	0,4	27,100
30,000,000-40,000,000	0,6	67,100
40,000,000 upwards	0,8	127,100

Property tax for motor transport means is calculated at the following annual rates:[141]

a) passenger automobiles having up to 10 seats:

- 200 AMD/horsepower, if taxable base is less than 120 horsepower;
- 400 AMD/horsepower, if taxable base is from 120 to 250 horsepower;
- 500 AMD/horsepower, if taxable base is more than 250 horsepower.

b) passenger automobiles having 10 or more seats and trucks:

- 100AMD/horsepower, if taxable base is less than 200 horsepower;
- 200 AMD/horsepower, if taxable base is 200 or more horsepower.

100% of property tax is applied for the motor vehicles, produced up to three years ago. For each additional year the property tax is reduced by 10% of the tax amount, but not to exceed 50% of the tax amount.

6.3. Returns and Payments

Legal persons shall submit quarterly property tax calculations to the Tax Inspectorate till 25th of the month directly following the reporting quarter, and annual calculations - till February 25th of the year directly following the reporting year.[142]

Legal persons must pay property tax within 5 days following the terms for submission of quarterly and annual reports. Individuals shall submit property tax calculations before October 1st and pay before December 1st of the reporting year.[143]

7. LAND TAX ISSUES

7.1. Scope of the Law On Land Tax

The Land tax may be applicable to the Foundation if the plant (land) is owned or used by the foundation.[144]

7.2. Taxpayers

Landowners, permanent or temporary users of state property land are land taxpayers.
Tax on rented land is levied on the lessor.[145]

7.3. Taxable Base and Rates

The land "cadastre" (valuation system) is used to determine the value of the land.[146]
The land tax for agricultural lands is calculated at 15% of the net income determined by the "cadastral" evaluation.[147]
For non-agricultural land the rate is 0.5-1% of the "cadastral" value of the land.[148]

7.4. Exemptions

Full exemption is granted to national parks, newly established orchards, vineyards, agricultural and collective farms, using the land on a collective basis for two years after having been founded, etc.[149]

Partial (50%) exemption is granted to scientific institutions and organizations using land for research and experiments.[150]

7.5. Returns and Payments

Enterprises, institutions and organizations must submit annual land tax calculations to the Tax Inspectorate no later than September 1st of the reporting year, and make quarterly payments before 25th day of the month following the reporting quarter.[151]
Citizens and agricultural farms pay land tax, taking as a basis the payment notifications calculated by the State Tax Inspectorate and delivered to them, before September 1st of the reporting year, in equal parts no later then November 15th of the reporting year and before April 15th of the following year.[152]

8. SOCIAL SECURITY ISSUES

8.1. Scope

Under the law on "On Obligatory Social Insurance Contributions" all registered legal entities - employers are required to withhold monthly social security contributions from their employees' salaries, wages and similar incomes received in accordance with contracts and in addition to it pay on their expense the contributions specified by the provision of the law.[153] These contributions to the pension and state social insurance fund are aimed to insure payments to individuals during maternity leave and disability. Based on that requirement, within 1 month following the day of the state registration all employers must submit an application to local social insurance authority in order to be registered as employer.[154] Failure to do so may cause specific financial liabilities provided by the law[155].

Please note that the social insurance contributions should be made by employer as well as by employee.

8.2. Applicable Rates

As mentioned, contributions to the pension fund and state social insurance fund need to be made, on behalf of employees, by all enterprises, organizations, sole proprietors and other employers. Particularly, the employers must make social insurance contributions (payments) for each employee at the following rates:[156]

Paid by employer	Social Insurance Contributions to be withheld
If Gross salary (AMD per month:)	
0-20,000	AMD 5,000
20,000 - 100,000	15% of the amount exceeding 20,000 AMD plus AMD 5,000
100,000	upwards 5% of the amount exceeding 1 00,000AMD plus 17,000 AMD

Besides the mentioned payments, the employers should calculate, withhold and pay into the pension fund and state social insurance fund the amounts equal to 3% of their employees' gross salary. [157]

8.3. Withholdings and Payments

It is important to note that all employers must withhold the obligatory social insurance contributions in the amount of 3% of their employees' gross salary and in addition to the payments at the rate described in the above mentioned chart they must pay these joint contributions on monthly basis, within two business days following the day of paying an income to employee.[158]

8.4. Reporting Requirements

Quarterly, not later than the 25-th day of the second months following the reportin g quarter, all employers must submit special report on the obligatory social insurance contributions withheld and paid to the special fund. [159]

8.5. Responsibility of Employer for Violations of the Law

In case of delays in implementing social insurance payments to the social fund the employers must pay fines in the amount of 0.15% for each day of delay, for total amount not paid on time but not more than for delays exceeding 365 days.[160] In case of delays exceeding 183 days the state authorized body may file the bankruptcy suit in the court.[161] There are also other special penalties and fines for other types of violations.[162]

IV. ACCOUNTING ISSUES

1. BACKGROUND

The reforms in the accounting system of Armenia started back in 90-s. Initially the principles of the accounting system of the Republic of Armenia were not clearly specified yet. Then, in May 1998 the Republic of Armenia Law «On Accounting» was adopted, which stipulated the accounting principles of Armenia, and the reforms of the accounting system were initiated.

For a more effective implementation of accounting reforms, in November 1998 the Decree N 740 "On the Reforms of Accounting System" was adopted by the Government of Armenia. Thus, in accordance with the mentioned Decree:

a) the Ministry of Finance of Economy of Armenia is responsible for implementing the reforms of legal regulatory framework for accounting system, taking as basis the International Standards published at that period by the International Accounting Standards Committee, as well as taking into account the International standards published afterwards, with their subsequent amendments, and to correspondingly amend and edit the legal regulatory framework in this respect.
b) a time schedule was established, in accordance with which the legal entities, branches and representative offices of foreign enterprises should convert to new accounting system, taking into consideration the specifics of their organizational-legal nature.

2. THE ACCOUNTING STANDARDS OF ARMENIA

2.1. Adopted Standards

In 1998 the Ministry of Finance and Economy of Armenia adopted the following 15 Accounting Standards of the Republic of Armenia (ASRA): [163]

ASRA 1 - Presentation of Financial Statements
ASRA 2 - Inventories
ASRA 4 - Accounting of deprecation
ASRA 7 - Cash Flow Statements
ASRA 8 - Net profit or Loss for the period, Fundamental errors and changes in accounting policies
ASRA 9 - Research and development expenditures[164]
ASRA 11 - Construction Contracts
ASRA 16 - Property, plant and equipment
ASRA 17 - Leases
ASRA 18 - Revenue
ASRA 20 - Accounting for Government grants and Disclosure of Government Assistance
ASRA21- The effects of changes in foreign exchange rates
ASRA 23 - Borrowing costs
ASRA 25- Accounting of investments[165]
ASRA 27 - Consolidated financial statements and accounting for investments in subsidiaries

In 1999 the Ministry of Finance and Economy of Armenia adopted the following 11 Standards:[166]

ASRA10- Events after the Balance Sheet Date
ASRA12 - Income Taxes
ASRA22 - Business Combinations
ASRA24 - Related party disclosures
ASRA28 - Accounting for investments in associates
ASRA30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions
ASRA31- Financial reporting of interests in joint ventures
ASRA32 - Financial Instruments. Disclosure and presentation
ASRA33 - Earnings per share
ASRA34 - Interim financial reporting
ASRA36 - Impairment of assets

In 2000 the Ministry of Finance and Economy of the Armenia adopted the following 9 Standards:[167]

ASRA14 - Segment reporting
ASRA29 - Financial reporting in hyperinflationary economies
ASRA35 - Discontinuing operations
ASRA37 - Provisions, contingent liabilities and contingent assets
ASRA38 - Intangible assets
ASRA19 - Employee benefits
ASRA26 - Accounting and reporting by retirement benefit plans
ASRA39 - Financial Instruments: recognition and measurement
ASRA40 - Investment property

2.2. Chart of accounts

In 1998, on the basis of national standards of accounting the Ministry of Finance and Economy of Armenia developed, and in 1999 and 2000 improved and subsequently adopted the "Chart of Accounts for the financial-economic Activity of Organizations", the current version of which was published in Departmental Normative Acts Bulletins N 5 dated 2 February 2001.

In 1999, on the basis of national standards of accounting the Ministry of Finance and Economy of Armenia developed, and in 2001 improved and subsequently adopted the "Instruction on the forms of annual (interim, with full package) financial reporting for organizations, and the rules for their filling", the current version of which was published in Departmental Normative Acts Bulletins N 2 dated 1 February 2002.

2.3. Brief Guides to the Accounting Standards of the Republic of Armenia

With the aim of supporting the procedure for implementation of the Accounting Standards of the Republic of Armenia, in 2001 the Ministry of Finance and Economy of Armenia developed and adopted Brief Guides to the Implementation of the Accounting Standards of the Republic of Armenia (published in Departmental Normative Acts Bulletins N 11 dated 31 May 2001 and N 14 dated 1 August 2001).

3. OTHER LEGAL ACTS REGULATING ACCOUNTING

With the aim of providing practical guidelines to accountants and bookkeepers, the ministry of Finance and Economy of Armenia developed and adopted the following documents:

- The procedure for mandatory stocktaking (count) of assets and liabilities of organizations (published in Departmental Normative Acts Bulletins N 7 dated 12 June 2000)
- Sample forms of primary accounting documents and ledgers for fixed assets and equipment to be installed, as well as instructions for their filling (published in Departmental Normative Acts Bulletins N 19 dated 20 December 2000)
- Sample forms of preliminary accounting documents and ledgers for inventory (materials, goods, short-life items), as well as instructions for their filling (published in Departmental Normative Acts Bulletins N 6 dated 18 March 2000).

4. REQUIREMENTS ON IMPLEMENTING NEW ACCOUNTING SYSTEM IN ORGANIZATIONS

The Decree N 740 ''On the Reforms of Accounting System '' adopted by the Government of Armenia on 26 November 1998 (with the further amendments and additions in it), stipulated that the mandatory conversion to new accounting system should be implemented on a stage-by-stage basis, taking into account the organizational- legal nature of the enterprise:

a) In 2000 – the open joint-stock companies and closed joint-stock companies with 50 percent and more State participation.
b) Starting from 2001 the closed joint-stock companies not mentioned in sub-point "a".
c) Starting from 2002- all other commercial organizations.
d) Up to 31 December 2003 – the non-commercial organizations as well as branches and representative offices of foreign entities.

Despite certain complications with respect to the conversion to new accounting system, it is evident that the process of transition to new accounting system is inconvertible. Both the government bodies and accounting staff of enterprises are doubtless of the fact that return to the old accounting system is impossible. Moreover, currently several projects are in the stage of development, aiming to perform similar accounting reforms in public sector (budget sector) as well.

Based on the mentioned, it should be noted that the Foundation must comply with new accounting principles by 31 December 2003.

V. ENERGY LAW OF ARMENIA

1. INTRODUCTION

In accordance with the assignment the Law of the Republic of Armenia «On Energy» needs to be researched on applicability of its provisions to establishment and operations of the Foundation. Based on the research conducted, it is clear that this law may not affect directly to the establishment or operations of the Foundation. On the other hand, the mentioned law may affect indirectly to the Foundation's operations and transaction. Thus, it may regulate some aspects related with the activities of the potential borrowers.

Taking into account that assumption, some of the most applicable selected provisions of the law with minor changes are presented herein. There are no many comments on the selected provisions of the law. This is done intentionally: only the most important issues are outlined.

2. SCOPE OF THE LAW ON ENERGY

The Law On Energy regulates the relationships between the government bodies, legal entities of the energy sector operating under the Law, and consumers of electricity, thermal energy and natural gas in the Republic of Armenia[168]. The objective of the Law is the establishment of the government policies in the energy sector and the mechanisms for their implementation. The law specifies that the primary methods of the state regulation over the energy sector of Armenia are as follows:[169]

1. Licensing, establishment of license conditions and their supervision;
2. For reporting purposes to the regulatory body, implementation of accounts and sub-accounts for the energy sector Licensees in conformity with National Chart of Accounts, and laws and legal acts related to accounting.
3. Setting regulated tariffs.
4. Development of model contracts or mandatory terms for energy and/or natural gas supply (service provision) between Licensees, as well as energy and/or natural gas supply (sale/purchase) to consumers, and the registration of contracts executed between Licensees;
5. Defining the market rules and regulations;
6. Development of legal acts and control over their implementation, by the regulatory body, within the framework of its authorities;
7. Development of service quality requirements;
8. Study of the investment programs presented by the Licensees with the purpose of their full (or partial) inclusion in the tariff or rejection.

In accordance with the Law the regulation of the Republic of Armenia's energy sector is carried out by the Energy Regulatory Commission of the Republic of Armenia (hereafter referred to as Commission), which acts pursuant to authorities vested in the Commission by the Law On Energy. The law also specifies that the Commission is independent within its jurisdiction. Thus, the Commission may not be dissolved or its authorities may not be changed, without amending the Law On Energy. For information: the Commission is the legal successor of the Energy Commission of the Republic of Armenia.[170]

2.1. Authorities of the Commission – the state body regulating energy sector in Armenia

In accordance with the Law the Commission has the authority to conduct the following activities:[171]

- To set the regulated tariffs for electrical and thermal energy and natural gas, transmission (transportation), distribution in the energy sector, System Operator, services provided in energy market, as well as maximum tariffs for electricity and natural gas import.
- To issue Licenses for operations in the energy sector.
- To monitor the compliance with the License conditions and apply penalties provided by the Law.
- To approve, reject or set conditions for purchase of Licensees' shares (unless otherwise provided by Laws on privatization of state property), as well as the sale or other transfer of any asset essential to the provision of the services provided by regulated entities, in compliance with Article 27 of the Law On Energy.
- To issue regulations for supply and use of electrical and thermal energy and natural gas.
- To approve the energy market rules in cooperation with the Government's authorized body.
- To establish model forms or mandatory provisions for energy and natural gas supply and service contracts to be signed between energy sector Licensees and, pursuant to the procedures established by the Commission, register such contracts as well as contracts for export and import of electric power and natural gas.
- To establish model electricity and natural gas supply contracts, or mandatory provisions thereof, between Licensees and consumers and ensure their employment ;
- To conduct discussions regarding disagreements between Licensees, to review the inquiries and complaints from the consumers regarding supply of energy and natural gas, including disputable bills submitted to the consumers, and to issue decisions and/or clarifications on discussed issues.
- In order to monitor the implementation of license conditions, and to check the accuracy of financial-economic reports and information provided by Licensees, carry out or organize

inspections of the Licensee's installations and to review the Licensees' financial-economic operations, by requiring the requisite substantiating documents.

- In accordance with procedures established by the Commission, to request from the Licensees and License applicants, all information and data necessary for the Commission for issuing a License, setting tariffs, settling disputes, or any other issues being addressed by the Commission.
- To set quality requirements for services provided to the consumers by the companies.
- To prescribe accounts and sub-accounts in conformity with Armenian laws, approved National Chart of Accounts and other legal acts of the Republic of Armenia for regulatory reporting;
- To review Licensees' development-investment projects in order to make a decision as to whether the investments (fully or partially) will be included or rejected in the future tariffs.
- To ensure enforcement of and provide comments on the Resolutions adopted by the Commission;

2.2. Licensing of Operations in the Energy Sector

Generally all the operations conducted in energy sector of Armenia should be licensed in accordance with the law.[172] Thus, no person may engage in generation of electricity, generation of thermal energy (including combined electric/thermal generation), transmission (transportation) and distribution of electricity, thermal energy and natural gas, implementation of system operator services in electric energy and natural gas sectors, construction or reconstruction of new generating capacities in the electric and thermal energy sectors, as well as construction of transmission (transportation) and distribution networks in electric/thermal energy and natural gas sectors, electricity and natural gas import and export activities, as well as power market services provision activities without a License issued by the Commission. Only the Licensees holding adequate Operational Licenses in compliance with the Law may engage in electric and thermal power and natural gas sale/purchase (purchase with intent to sell) activities, in accordance with the License conditions and Market Rules. The essential functions of activities, subject to licensing, established by the Law are defined by the corresponding Operation License. The effective period of the Operation License shall be set forth by the corresponding
Commissions decision and stated in the License.[173]

Comment: It is important to note that the generation of electrical and thermal energy exclusively for the internal needs of a consumer shall not be licensed.

2.3. Responsibilities of the Licensee

In accordance with the law On Energy of Armenia each Licensee is responsible to comply with the provisions of the Law and particularly to the following conditions:[174]

- Comply with all conditions set forth in the Law, the legislation of the Republic of Armenia, other legal acts, the legal acts adopted by the Commission, and the conditions set forth in the License;
- Forward for the Commission's approval a time schedule and a plan of activities ensuring the implementation of environmental and safety requirements.
- Implement the operation, technical service and repair of the equipment under its management, ensuring the safety and health of the staff and the citizens;
- Make sure the equipment used during the implementation of the Licensed operation complies with the Republic of Armenia effective technical rules and conditions provided in a License;
- Make the buildings, constructions, structures, installations and lines included in the licensed operation accessible for the representatives of the Commission and other entities defined by Law;

- Introduce technical safety rules to citizens, along with their rights and responsibilities provided by other norms and associated with the License and contracts;
- In conformance with the License provisions, conduct technical audits (including technological losses, specific fuel costs, costs related to energy or natural gas consumption for the plant's own needs, etc.) and/or financial audits, with the involvement of independent experts;
- 8.Coordinate with the Commission development investment programs, in order to receive an opinion regarding the inclusion (partly or completely) of investments or rejection thereof in the future tariffs:
- Submit for the Commission's approval the calculation methodologies of inevitable technological losses, specific fuel costs, energy or natural gas used for own needs and other tariff constituent elements.
- Perform other responsibilities provided by this Law.

Other economic activities performed by the Licensee must not jeopardize adequate compliance with the license provisions.

2.4. Licenses for Construction or Reconstruction of Generation Capacities

Entities holding a license for construction or reconstruction of generation capacities shall have the right to construct new electric/thermal energy plants (including electric/thermal combined energy generation) in compliance with the License provisions.[175] Licenses defined by the Law shall be issued being guided by Armenian energy sector prospective development programs, need for efficient use of domestic energy resources and protection of the interests of the domestic market consumers.

2.5. Contracts and their registration

Concluded contracts between Licensees, as well as import and export contracts become effective from the moment of their registration with the Commission. The ultimate term for the registration or refusal of registration of the contracts shall be 10 days.[176]

2.6. Consumer Contracts and Liability for Breach of Obligations[177]

Electric and thermal energy and/or natural gas supply or service provision to the consumer shall be conducted in compliance with the supply contracts, according to which the Supplier is obligated to supply electricity, natural gas in compliance with procedures established by supply contract, laws and other legal acts, and the consumer (customer) is
obligated to accept the energy and/or natural gas supplied and pay for it. Energy or natural gas Supply contracts define the terms of supply (consumption) of electricity (capacity) and/or natural gas, in conformance with the laws, legal acts and supply and usage rules. Damages caused by non-performance of the contractual obligations shall be compensated by the party in breach, according to the procedures set by the Law. Only the contractual parties shall be supervising the performance of the contract.

In accordance with procedures established by the supply contract the Supplier shall have the right to refuse the electricity/gas supplies completely or partially if the consumer has essentially breached the contractual obligations, that is:

a) tampering with the metering device under his authority, this resulted in decrease in the energy or natural gas consumption level registered by the metering device;

b) consuming energy or natural gas without the contractually-required metering device or by means of bypassing it.

The supplier may also disconnect the supply of electricity or thermal energy or natural gas to a customer if the customer does not pay a bill within the period of time established by the Commission. Such disconnection from energy and/or natural gas supply shall follow all warning procedures set forth by the Commission. The Supplier shall restore the supplies to the breaching consumer, after compensation of the damages or receipt of guarantees for such compensation under conditions acceptable for the Supplier. If electric and thermal energy and (or) natural gas consumption was carried out without a contract (illegal consumption), the Supplier has the right to disconnect the consumer immediately and request compensation for the damages caused to him, in conformance with the procedures defined in the Armenian Legislation.

The Commission shall have the power to issue instructions to rectify the violation and exercise the following penalties if there have been instances of non-compliance, violation or inadequate compliance with this Law, the legal acts of the Commission, or the License provisions by the Licensees:

a) a warning;
b) reduction of the tariffs;
c) suspension of the License;
d) revocation of the License.

The procedures of the enforcement of the above measures shall be established by the Commission. According to such procedures, the Licensee shall have the right to express his opinion, voice his suggestions or disagreement regarding the imposed penalties.

2.7. Power Supplies to Sub-consumers[178]

The consumer shall, according to the technical parameters enumerated in the agreement executed with the supplier, and based on the fees for the service provisions established by the calculation methodology established by the Commission, transmit through its energy installations the Supplier's energy or natural gas, which is intended for other consumers (sub-consumers), or the Supplier's other networks. The relationship between the consumers, the sub-consumers and the supplier are regulated by the Service Regulations and Usage Rules.

2.8. Safety Zones of Energy Facilities[179]

The facilities in the energy sector are protected by Safety zones. The size of, and the utilization procedures for, the Safety zones of the facilities within the energy sector shall be established by the Government of the Republic of Armenia. No actions may be undertaken in the territory of the Safety Zones of the energy facilities that may pose a threat for the normal work of the energy facility, life and health security of the citizens and the operational staff and the security of the property, pursuant to the technical regulations.

In the Safety Zones of the energy facilities it is prohibited to:

a) carry out any land related work without the permission of the owner or manager of the energy facility;
b) build buildings, constructions, structures, or carry out activities, that make it impossible or difficult the maintenance of the energy facilities, or threaten their reliability and safety.

The owners of equipment (engineering constructions, transmission lines) in the energy and other sectors, which have cross over points, have to cooperate with each other to ensure the safety, reliability and normal operation of that equipment.

2.9. Transitional Provisions[180]

Please take into account that the following limitations are established in the energy sector from the moment of the adoption of the Law:

a) within three years the Commission shall have the right to establish mandatory annual quotas for generation, and purchase of electric energy (capacity) for domestic use, pursuant to which the export to the regional market from the generation plants with lower generation tariffs is limited (prohibited).

b) the Distribution Licensee is granted an exclusive right to sell electricity (capacity) for 5 years to customers within the Service Area defined in the License, except for cases described in item 2 of article 47 herein;

c) All electricity (capacity) generated at small hydro power plants, as well as from renewable sources of energy within the next 15 years shall be purchased pursuant to the Market Rules.

Additionally, it should be noted that from the moment of the adoption of the Law, the Government of the Republic of Armenia shall:

a) issue respective Decrees within 6 months, which shall set procedures for providing guarantees for long-term supply of the estimated amount of water essential for power generation at hydro power plants.

b) Within one year submit to the National Assembly a draft law consistent with Article 31 of the law.

Besides the mentioned, within one year from the adoption of this Law, the Commission shall establish and introduce power market rules and legal acts ensuring their implementation.

VI. THE APARTMENT BUILDING MAINTENANCE LAW

1. INTRODUCTION

The Apartment Building Maintenance Law of the Republic of Armenia was adopted by the National assembly on May, 2002. The Law regulates the issues related with the ownership and management of the property owned jointly by the apartment owners.[181] In particular, it specifies the rights and responsibilities of the apartment owners who jointly manage the fragments of real estate publicly held in multi-apartment building: basement, basic framework, floors, walls, downstairs, elevators and etc.

The Apartment Building Maintenance Law would not be directly applicable either to the establishment and operations of the Foundation similar to the Energy Law of Armenia. However, taking into account that there may be residential borrowers of the fund, the following describes the basic issues which may concern the Foundation in the future.

2. MANAGEMENT OF THE MULTI APARTMENT BUILDING

The Law specifies that the highest management body in multi-apartment building should be the General Meeting of the Apartment Owners.[182] This body should make decisions related with the management and operation of jointly owned fragments of the building. Accordingly each apartment owner has a right to be represented in the General Meeting.[183] All the decision concerning the management and operation of the jointly owned fragments should be done in the procedure prescribed by the Law.

Certainly, for implementation the goals of the Foundation (which are related with financing the residential sector) the issues regulated by the Law should be taken into account. The Law empowers the General Meeting with all the authorities to represent, negotiate, approve and contract the deals related with possession, repossession or transfer the rights on the jointly owned assets. The following are some important authorities of the General Meeting which should be taken into account if financing the apartment building and pledging the assets should be implemented:[184]

1). The form of management of the apartment building and elections of the governing body,
2). Elimination of the governing body's powers and authorities,
3). Approving the list of powers given to the governing body in addition to the mandatory powers specified by the Law,
4). Approving the decisions on transfer and mortgage of jointly owned real estate,
5). Approving the decisions on separation, transfer or mortgage of the jointly owned portion of the real estate,
6). Decision making on the transfer, use, pledge of the movable property owned jointly,
7). Approving the large transactions,
8). Decision making on the deal concerning the transfer of the jointly owned movable property for its use by third party,
9). Decision making on the construction or reconstruction of the jointly owned property or the portion of the property,
10). Decision making on the deals concerning the obtaining of property rights (use, lease, and cetera),
11). Decision making on the allocation of advertisement on the jointly owned property or the use of for commercial purposes,
12). Decision making on the fees which should be paid by the owners for getting the statements issued by the governing bodies or the fees which should be paid in accordance with the law for services rendered. The fees should not exceed the cost of the service performed.
13). Decision making on the terms and conditions for payment of fees levied on the apartment owners in addition to the mandatory fees levied,
14). Decision making on the rules on the use and operation of the jointly owned property by the apartment owners and apartment residents,
15).Decision making on the approval of multi apartment building management annual budget,
16). Decision making on auditing the funds of the annual budget for the supervision of the governing body,
17). Decision making on other issues, including the signing by the governing body the agreements and contracts for the supply of utilities to the building.

Please note that the Law specifies the minimum number of votes necessary for the legality of the decision made by the General Meeting. Thus, the decisions on the issues mentioned in points 3) and 5) must be made unanimously. The decisions on the issues mentioned in the points 9) and 17) must be made by 2/3 of the total votes. The decisions on all other issues mentioned in the previous paragraph may be made by the 50% or more votes. Please note, the Law specifies the decision making procedure in details. However, these details should be taken into account in future: only in case of financing the projects in residential sector.

End of Brief

SECTION 3: ENDNOTES

[1] See Articles 7and 8 of the Law of Armenia «On Excise Tax».
[2] See Article 41 of the Energy Law.
[3] See Article 48 of the Energy Law.
[4] See Article 56 of the Energy Law.
[5] See Article 59 of the Energy Law.
[6] See Article 123, par. 1 of the Civil Code of Armenia.
[7] See Article 123, par. 1 of the Civil Code of Armenia.
[8] See Article 123, par. 2 of the Civil Code of Armenia.
[9] See Article 123, par. 2 of the Civil Code of Armenia.
[10] See Article 123, par. 3 of the Civil Code of Armenia.
[11] See Article 123, par. 4 of the Civil Code of Armenia.
[12] See Article 55, par. 1 of the Civil Code of Armenia.
[13] See Article 56 of the Civil Code of Armenia.
[14] See Article 55, par. 2 and Article 123, par. 6 of the Civil Code of Armenia.
[15] See Article 123, par.6 of the Civil Code of Armenia.
[16] See Article 56 of the Civil Code of Armenia.
[17] See Article 53 of the Civil Code of Armenia.

[18] See Article 56, par. 1 of the Civil Code of Armenia.
[19] See The Law of Armenia «On State Duties and Charges»
[20] See Article 56, par. 3 of the Civil Code of Armenia.
[21] See The Law of Armenia «On State Duties and Charges»
[22] See Article 51, par. 4 of the Civil Code of Armenia.
[23] See Articles 61 and 62 of the Civil Code of Armenia.
[24] See Article 124, par. 1 of the Civil Code of Armenia.
[25] See Article 124, par. 2 of the Civil Code of Armenia.
[26] See Article 124, par. 2 of the Civil Code of Armenia.
[27] See Article 124, par. 3 of the Civil Code of Armenia.
[28] See Article 1 of the Law of Armenia «On Credit Institutions».
[29] See Article 1 of the Law of Armenia «On Credit Institutions».
[30] See Article 3, par.4 of the Law of Armenia «On Credit Institutions».
[31] See Article 3, par. 2 of the Law of Armenia «On Credit Institutions».
[32] See Article 887, par. 1 of the Civil Code of Armenia.
[33] See Article 877, par. 1 of the Civil Code of Armenia.
[34] See Article 887, par. 1 of the Civil Code of Armenia.
[35] See Article 877, par. 1 of the Civil Code of Armenia.
[36] See Article 887, par. 1 of the Civil Code of Armenia.
[37] See Article 879 of the Civil Code of Armenia.
[38] See Articles 887, par. 1 and 889, par. 3 of the Civil Code of Armenia.
[39] See Article 877, par. 1 of the Civil Code of Armenia.
[40] See Article 4, Par. 1 of the Law of Armenia «On Profit Tax».
[41] See Article 4, Par. 2 of the Law of Armenia «On Profit Tax».
[42] See Article 55, Par. 2 of the Law of Armenia «On Profit Tax».
[43] See Article 57, Par. 1 and Article 64 of the Law of Armenia «On Profit Tax».
[44] See Article 44, Par. 1 of the Law of Armenia «On Profit Tax».
[45] See Article 33 of the Law of Armenia «On Profit Tax».
[46] See Articles 34 and 41 of the Law of Armenia «On Profit Tax».
[47] See Article 57, Par. 1 of the Law of Armenia «On Profit Tax».
[48] See Article 57, Par. 1 of the Law of Armenia «On Profit Tax».
[49] See Article 36 of the Law of Armenia «On Profit Tax».
[50] See Article 8 of the Law of Armenia «On Profit Tax».
[51] See Article 6 of the Law of Armenia «On Profit Tax».
[52] See Article 7, Par. 1 of the Law of Armenia «On Profit Tax».
[53] See Article 7, Par. 2 of the Law of Armenia «On Profit Tax».
[54] See Article 10, Par. 2 of the Law of Armenia «On Profit Tax».
[55] See Article 23, Par. A of the Law of Armenia «On Profit Tax».
[56] See Article 16, Par. 1 of the Law of Armenia «On Profit Tax».
[57] See Article 12, Par. 2 of the Law of Armenia «On Profit Tax».
[58] See Article 12, Par. 3 of the Law of Armenia «On Profit Tax».
[59] See Article 12, Par. 2 of the Law of Armenia «On Profit Tax».
[60] See Article 12, Par. 3 of the Law of Armenia «On Profit Tax».
[61] See Article 18, Par. 2 of the Law of Armenia «On Profit Tax».
[62] See Article 26 of the Law of Armenia «On Profit Tax».
[63] See Article 57, Par. 1 of the Law of Armenia «On Profit Tax».
[64] See Article 21, Par. 1 and Article 22 of the Law of Armenia «On Profit Tax».
[65] See Article 44, Par. 1 of the Law of Armenia «On Profit Tax».
[66] See Article 46, Par. 1 of the Law of Armenia «On Profit Tax».
[67] See Article 50 of the Law of Armenia «On Profit Tax».
[68] See Article 47 of the Law of Armenia «On Profit Tax».
[69] See Article 47 of the Law of Armenia «On Profit Tax».
[70] See Article 47 of the Law of Armenia «On Profit Tax».
[71] See Article 47, Par. 3 of the Law of Armenia «On Profit Tax».

[72] See Article 57, Par. 1 and Article 64 of the Law of Armenia «On Profit Tax».
[73] See Article 57, Par. 1 of the Law of Armenia «On Profit Tax».
[74] See Article 66 of the Law of Armenia «On Profit Tax».
[75] See Article 66 of the Law of Armenia «On Profit Tax».
[76] See Articles 69 and 70 of the Law of Armenia «On Profit Tax».
[77] See Article 2 of the Law of Armenia «On Income Tax».
[78] See Article 3, Par. 1 of the Law of Armenia «On Income Tax».
[79] See Article 4 of the Law of Armenia «On Income Tax».
[80] See Article 4, Par. 1 of the Law of Armenia «On Income Tax».
[81] See Article 4, Par. 2 of the Law of Armenia «On Income Tax».
[82] See Article 5 of the Law of Armenia «On Income Tax».
[83] See Article 6 of the Law of Armenia «On Income Tax».
[84] The types of income are not limited by the mentioned.
[85] See Article 7 of the Law of Armenia «On Income Tax».
[86] This list of incomes is limited by the law.
[87] See Articles 8-15 of the Law of Armenia «On Income Tax».
[88] See Article 12 of the Law of Armenia «On Income Tax».
[89] See Article 20 of the Law of Armenia «On Income Tax».
[90] See Article 18 of the Law of Armenia «On Income Tax».
[91] See Article 18, par. 1 of the Law of Armenia «On Income Tax».
[92] See Article 18, par. 1 of the Law of Armenia «On Income Tax».
[93] See Article 18, par. 2 of the Law of Armenia «On Income Tax».
[94] See Article 18, par. 2 of the Law of Armenia «On Income Tax».
[95] See Article 18, par. 3 of the Law of Armenia «On Income Tax».
[96] See Article 18, par. 4 of the Law of Armenia «On Income Tax».
[97] See Article 18, par. 5 of the Law of Armenia «On Income Tax».
[98] See Article 34 of the Law of Armenia «On Income Tax».
[99] See Article 22, par. 1 of the Law of Armenia «On Income Tax».
[100] See Article 22, par. 2 of the Law of Armenia «On Income Tax».
[101] See Article 22, par. 2 of the Law of Armenia «On Income Tax».
[102] See Article 22, par. 2 of the Law of Armenia «On Income Tax».
[103] See Article 23 of the Law of Armenia «On Income Tax».
[104] See Article 20, par. 1 of the Law of Armenia «On Income Tax».
[105] See Article 37 of the Law of Armenia «On Income Tax».
[106] See Article 37, par. 2 of the Law of Armenia «On Income Tax».
[107] See Article 37, par. 3 of the Law of Armenia «On Income Tax».
[108] See Article 38, par. 1 of the Law of Armenia «On Income Tax».
[109] See Article 38, par. 2 of the Law of Armenia «On Income Tax».
[110] See Article 38, par. 3 of the Law of Armenia «On Income Tax».
[111] See Article 38, par. 4 of the Law of Armenia «On Income Tax».
[112] See Article 2 of the Law of Armenia «On Value Added Tax».
[113] See Article 9 of the Law of Armenia «On Value Added Tax».
[114] See Article 3 of the Law of Armenia «On Value Added Tax».
[115] See Article 3 of the Law of Armenia «On Value Added Tax».
[116] See Article 6 of the Law of Armenia «On Value Added Tax».
[117] See Article 7 of the Law of Armenia «On Value Added Tax».
[118] See Article 16 of the Law of Armenia «On Value Added Tax».
[119] See Article 15 of the Law of Armenia «On Value Added Tax».
[120] This exemption may be important for the purposes of the Foundation.
[121] See Article 8, par. 1 of the Law of Armenia «On Value Added Tax».
[122] See Article 8, par. 2 of the Law of Armenia «On Value Added Tax».
[123] See Article 8, par. 3 of the Law of Armenia «On Value Added Tax».
[124] See Article 8, par. 5 of the Law of Armenia «On Value Added Tax».
[125] See Article 8, par. 6 of the Law of Armenia «On Value Added Tax».

[126] See Article 8, par. 7 of the Law of Armenia «On Value Added Tax».
[127] See Article 8, par. 8 of the Law of Armenia «On Value Added Tax».
[128] See Article 18 of the Law of Armenia «On Value Added Tax».
[129] See Article 19 of the Law of Armenia «On Value Added Tax».
[130] See Article 30 of the Law of Armenia «On Value Added Tax».
[131] See Article 32 of the Law of Armenia «On Value Added Tax».
[132] See Article 32 of the Law of Armenia «On Value Added Tax».
[133] See Article 3 of the Law of Armenia «On Excise Tax».
[134] See Article 4 of the Law of Armenia «On Excise Tax».
[135] See Article 6 of the Law of Armenia «On Excise Tax».
[136] See Article 5 of the Law of Armenia «On Excise Tax».
[137] See Articles 7and 8 of the Law of Armenia «On Excise Tax».
[138] See Article 3, par. 1 of the Law of Armenia «On Property Tax».
[139] See Article 4, par. 1 of the Law of Armenia «On Property Tax».
[140] See Article 7 of the Law of Armenia «On Property Tax».
[141] See Article 8 of the Law of Armenia «On Property Tax».
[142] See Article 15 of the Law of Armenia «On Property Tax».
[143] See Article 18 of the Law of Armenia «On Property Tax».
[144] See Article 1 of the Law of Armenia «On Land Tax».
[145] See Article 1 of the Law of Armenia «On Land Tax».
[146] See Article 3 of the Law of Armenia «On Land Tax».
[147] See Article 4 of the Law of Armenia «On Land Tax».
[148] See Article 5 of the Law of Armenia «On Land Tax».
[149] See Article 10 of the Law of Armenia «On Land Tax».
[150] See Article 11 of the Law of Armenia «On Land Tax».
[151] See Article 13 of the Law of Armenia «On Land Tax».
[152] See Article 14 of the Law of Armenia «On Land Tax».
[153] See Article 3, par. 3 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[154] See Article 10, par. 1 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[155] See Article 11, par. 3 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[156] See Article 5, par. 1 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[157] See Article 5, par. 2 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[158] See Article 6, par. 1 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[159] See Article 6, par. 4 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[160] See Article 6, par. 5 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[161] See Article 6, par. 5 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[162] See in details Article 6 of the Law of Armenia «On Obligatory Social Insurance Contributions».
[163] These standards are published in the Departmental Normative Acts Bulletin N 2 of 29 January 1999
[164] This ASRA was subsequently declared void by the International Committee of Standards
[165] Note: this ASRA was subsequently declared void by the International Committee of Standards
[166] These standards are published in the Departmental Normative Acts Bulletins N 12 of August 1999, N16 of 8 November 1999 and N 19 of 27 December 1999.
[167] These standards are published in the Departmental Normative Acts Bulletins N 13 of 4 September 2000, N 4 of 2001.
[168] See Article 1 of the Energy Law.
[169] See Article 10 of the Energy Law.
[170] See Article 11 of the Energy Law.
[171] See Article 17 of the Energy Law.
[172] See Article 23 of the Energy Law.
[173] See Article 23 of the Energy Law.
[174] See Article 28 of the Energy Law.
[175] See Article 34 of the Energy Law.
[176] See Article 40 of the Energy Law.
[177] See Article 41 of the Energy Law.
[178] See Article 48 of the Energy Law.

[179] See Article 56 of the Energy Law.
[180] See Article 59 of the Energy Law.
[181] See Article 1 of the Law of Armenia «On Apartment Building Maintenance Law».
[182] See Article 11, par. 1 of the Law of Armenia «On Apartment Building Maintenance Law».
[183] See Article 11, par. 3 of the Law of Armenia «On Apartment Building Maintenance Law».
[184] See Article 11, par.7 of the Law of Armenia «On Apartment Building Maintenance Law».